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## RECIPROCITY WITH CANADA. THE CANADIAN VIEWPOINT

### SUMMARY

The reciprocity agreement of 1911, 574. — Its rejection by Canada, 578. — Reciprocity and the Underwood tariff, 582. — Canadian tariff amendments, 1911–20, 582. — The trade between the two countries, 1910–20, 585. — The present status of reciprocity in Canada, 588.— Conclusions, 591.

### I. RECIPROCITY AGREEMENT OF 1911

IT is not surprising that the rejection by the Canadian people, through their verdict in the general election of 1911, of the reciprocity agreement then negotiated at Washington by representatives of the Canadian and American governments, should have appeared perversely unaccountable both to the general public in the United States and to the Liberal party in Canada itself. Ever since the summary repeal of the Elgin Reciprocity Treaty in 1866 — action which contributed not insignificantly to the consummation of Canadian confederation in the following year — successive missions and overtures from Ottawa had sought to secure a renewal of reciprocity relations, and reciprocity with the United States was a common plank in the platforms of both political parties in Canada. The distant British market and the meagre domestic demand gave little inducement to the development of the country's resources, while the high protective policy of the United States largely shut off the nearest and most important market. The repeated rejection of the successive negotiations for a new reciprocity agreement or modified tariff conces-

sions, and the opening up of an all-Canadian transcontinental route with the completion of the Canadian Pacific Railway, led Canada to adopt a national policy of protection, while the passing of the McKinley and Dingley tariffs made it necessary for her to seek closer trade relations with Great Britain as a substitute for the prohibitive American market. Sir Wilfrid Laurier had announced at the time of his election to the premiership in 1896 that "there will be no more pilgrimages to Washington," and in the following year the first installment of the British Preference (amounting to one-eighth) was placed upon the tariff book. The enlargement of this preference to one-third in 1900, and its reciprocal extension to other parts of the empire, followed by the creation of an Intermediate Tariff extended by treaty to France and later to Belgium, had been pursued in order to open to Canada alternative overseas markets, and thus to lessen her commercial dependence upon her powerful neighbor.

While thus discontinuing active overtures to Washington and pursuing the alternative policy of national protection and preferential trade, Canada never ceased to entertain the prospect of freer commercial relations with the country where her economic interests most naturally lay. The enactment of the Payne-Aldrich tariff in 1909, the penalizing maximum rates of which would apply to Canada unless specially exempted by the President, made the establishment of some direct trade arrangement between the two countries seem well-nigh imperative.

Accordingly, when in return for purely nominal tariff modifications extending the Canadian intermediate rates to a dozen unimportant imports, President Taft had announced that the Payne-Aldrich maximum rates would not be extended to Canada, and when this was

followed by an invitation from Washington for a conference to consider a liberal readjustment of Canadian-American trade relations, the Laurier ministry felt that the time had at last arrived when the long-awaited agreement of commercial reciprocity could be most advantageously negotiated. The growing demand in the United States for a general lowering of the tariff, especially on foodstuffs and raw materials, gave reason to expect that a reciprocity arrangement formulated at this time would not be on terms unfavorable to Canada.

The pact eventually drawn up by Secretary Knox for the United States and by Messrs. Fielding and Patterson for Canada provided for its validation, not by treaty ratification but by concurrent legislation at Washington and Ottawa. Its scope was confined largely to the products of the farm, forest, mine and fisheries, raw and semi-prepared, and to machinery and implements of production. Manufactures generally were not included, as the Canadian government was not prepared to reduce the protection demanded by eastern Canadian manufacturers. On the Canadian side the agreement was designed to meet especially the growing insistence of the western farmers upon freer access to market in the United States and for cheaper agricultural machinery and implements.

This object appeared to be amply secured by the inclusion in the free list of cattle, hogs, sheep, and horses; wheat, barley, oats, hay, flaxseed, and potatoes; butter, cheese, and eggs; with reduced duties on meats, bacon, hams, canned vegetables, and wheat flour. The reduction in farming machinery and construction materials was less than the farmers would have desired, but the claims of Canadian manufacturers of these articles could not be altogether ignored by the government. Nevertheless reductions of from  $7\frac{1}{2}$  to 25 per cent were

made on agricultural machinery and implements, automobiles, cement and coal, while sawed lumber, shingles, cream separators and binder twine were confirmed "free." The biggest advantage from the Canadian farmers' viewpoint was the removal of the  $27\frac{1}{2}$  per cent duty on cattle, and free access to the Minneapolis and Chicago wheat markets, where prices ordinarily ranged several cents higher than at Winnipeg and from which the duty of 25 cents per bushel had hitherto limited Canadian wheat exports to considerably less than \$500,000 value annually.

Even apart from the farming community, the interests of other groups of the population seemed to be served rather than menaced by the operation of the reciprocity agreement. The border trade of convenience in food commodities, especially in fruits, vegetables, and meats, as well as in coal and lumber, was bound to be generally advantageous to the consumers of a population mainly distributed along an enormously extended frontier. The protection which the manufacturers claimed as their indisputable right was scarcely breached, much less than the agrarians and free traders would have desired. The pulp and paper manufacturers were reassured by the action of the Dominion government in announcing that it had neither the power nor the intent to interfere with the regulations of the provinces requiring all pulpwood cut on leased crown lands to be manufactured in Canada. They were aware, moreover, that in spite of Section 2 of the Canadian Reciprocity Act passed by Congress, which retained a duty on pulp and paper manufactured from crown land pulpwood, the needs of American publishers would sooner or later bring about the unconditional free admission of Canadian pulp and paper. In the maritime provinces the free admission of Canadian fish to American markets

was a long desired concession, while the Nova Scotia coal producers whose market did not reach into Ontario were not threatened appreciably by the 8 cent reduction on coal imports into Canada.

## II. REJECTION OF RECIPROCITY IN CANADA

On what grounds then was such an evidently advantageous trade agreement so emphatically rejected by the Canadian people in 1911? Why did they now refuse the realization of a convention which had been a popular demand and an object of Canadian statesmanship for nearly half a century? As is usually the case in the public discussion of trade relations, the purely economic aspects became involved in, and distorted by, considerations of party politics, nationalism, and in this case, of Imperialism as well. The factors that contributed to the defeat of the agreement and of the government which championed it, altho their influence was a decidedly complex one, may be summarized with sufficient distinctness.

1. First and most decisive was the reference of the issue to the arbitrament of a general election following a prolonged and embittered partisan debate in the House of Commons. The result was strikingly similar to that which recently occurred in this country when the League of Nations issue, after the violent and obstructive contest over the reservations in the Senate, was flung into the arena of the presidential election. In each case the party which espoused the respective pacts was due to pass out of power in the ordinary trend of political events, and every partisan charge which could be brought against the government counted against the agreement and the covenant themselves.

2. Again, as the slogan of "America First" dominated the recent presidential election, so the appeal to

imperial loyalty, skillfully applied by the Conservative party, more or less stampeded the Canadian electorate in 1911. It was represented that the reciprocity agreement would lessen the value of the British Preference, and divert trade from imperial to continental channels. It was strenuously urged that the opening of the trade gates on the frontier would be the first step in American economic and eventual political domination in Canada. The bogey of annexation, supported by certain garbled utterances of Mr. Taft and the American press, was luridly projected on the near horizon. Canadian nationality and imperial loyalty were represented as directly at stake. Accompanying this were vivid reminders of the previous rebuffs which had greeted earlier Canadian proposals towards reciprocity.

3. These sentimental appeals, while the loudest, were by no means the only considerations that influenced the electors. Canada, it may almost be said, has been building up her national structure in opposition to the natural trend of economic intercourse rather than in accordance with it. Geographically the alignment of the Canadian provinces is with the corresponding border states rather than with one another. Until comparatively recently her population has been distributed as a fringe along the international boundary, and her frontier has been pushed northward with painful slowness. The 800 mile wilderness of New Ontario has long constituted a veritable No-Man's Land between East and West. Thanks, however, to the magnificent natural waterway of the Great Lakes and the St. Lawrence and to the economic marvel of the Canadian Pacific Railway, the country has laboriously developed a growing inter-provincial intercourse and traffic. The decade and a half of unexampled prosperity which Canada had enjoyed under the Laurier administration, the swelling in-

flux of immigration into the western provinces, the construction of two new transcontinental railway systems, the rapid development of overseas trade, and the rise of large manufacturing industries under a policy of protection, had combined to give Canadians a growing sense of self-reliance. A great many of those who foresaw that the reciprocity measure, with its inevitable extensions, would divert trade and traffic from the hardly constructed east and west channels into the broad and easy north and south courses, feared that this would weaken national solidarity and interprovincial interdependence.

4. While no Canadian manufacturing industries were directly threatened by the reciprocity arrangements, the Canadian Manufacturers Association, which exercised great influence in the East, arrayed itself against it, as the first installment of an anticipated general tariff reduction. They feared that if the western farmers should sell their crops and live stock extensively in American markets, they would inevitably tend to purchase machinery and manufactured goods from the same quarter. Manufacturers strenuously represented that the agreement would vitally affect the interests of Canadian labor by confining it to the production of raw materials, and shifting it from those manufacturing occupations in which the highest wages were paid. Canadian wheat would be ground at Minneapolis instead of at Winnipeg and Montreal; Canadian yearling cattle would be fattened in the Mississippi valley; the Canadian meat packers would be put out of business by the Chicago trust; the Ontario fruit growers would be ruined by the earlier American supplies. The powerful interests of the Canadian railways, fearful for their interprovincial traffic, were aligned beside the manufacturers.



5. One of the most valid objections raised against the arrangement was the insecurity of its duration. Based on concurrent legislation in the two countries, it would be subject to summary abrogation at the pleasure or caprice of either party. A revision or amendment by one side might invalidate the whole pact. Its adoption would mean the diversion of Canadian trade from its newly-established overseas channels and its readjustment to reciprocity relations. A sudden termination of the agreement, after this change had been accomplished, might cause a serious embarrassment to Canadian commerce.

6. Those who were familiar with American economic conditions and who regarded reciprocity as the playing off of one "concession" against another, foresaw that a lowering of American duties on foodstuffs and raw materials was pending in any case, and that merely by waiting Canadian farmers and paper manufacturers might very soon expect freer access to American markets, without bargaining for it by corresponding concessions.

Out of this election-time complex of calculation, sentiment and prejudice, emanated in September, 1911, a popular verdict which swept away the Liberal administration and its negotiated pact, returning 133 Conservatives and 88 Liberals. The effective victory was won in the province of Ontario, where Imperial and manufacturing interests were most strongly entrenched, and whose enormous majority for the Conservative party more than offset the net Liberal majority in the remainder of the country. The prairie provinces, Alberta and Saskatchewan (altho not Manitoba) as well as the maritime provinces declared themselves emphatically for reciprocity.

### III. RECIPROCITY AND THE UNDERWOOD TARIFF. CANADIAN TARIFF CHANGES

Those who contended that the American tariff concessions for which Canada bargained in the reciprocity agreement would be forthcoming gratuitously within the next few years, were justified by the event. A comparison of the rates offered in the reciprocity arrangement with those enacted in the Underwood tariff shows that most of the market restrictions for whose conditional removal the Canadian agrarians had supported the pact, were relaxed autonomously by the American people. The American tariff revision of 1913 extended to Canada most of the benefits offered in the reciprocity agreement. It is true that oats, hay, barley, flaxseed, butter, cheese, and canned vegetables were merely reduced in rates instead of being placed on the free list as contemplated by the 1910 arrangement. On the other hand such articles as meats, bacon, lard, wheat flour, lumber, shingles, coal, pulp, and paper, which the reciprocity agreement had placed in Schedule B (reduced in duty) were free listed by the Underwood act. In the case of wheat, wheat flour, potatoes, and potato products the act made the removal of duties dependent upon reciprocal action by countries desiring the privilege. Canada complied by Order-in-Council of April 17, 1917 for wheat and wheat products, and Order-in-Council of November 7, 1918 for potatoes.<sup>1</sup>

In the case of pulp and paper, Section 2 of the Canadian Reciprocity Act passed in Congress had provided for free admission of wood pulp, both mechanical and chemical, and paper valued at not more than 4 cents per pound, provided that no attempt had been made in

<sup>1</sup> For details see the excellent report of the U. S. Tariff Commission on Reciprocity with Canada (1920), pp. 42-45.

Canada to tax or restrict the export of that particular consignment or the wood from which it had been made. As the five provinces owning pulpwood forests, namely British Columbia, Ontario, Quebec, New Brunswick, and Nova Scotia, all had laws requiring that leases to cut pulpwood on crown lands could be granted only on condition that the pulpwood so cut should be manufactured in Canada, the intent of the American enactment was to apply pressure for the removal of these provincial restrictions by discriminating in favor of pulp and paper produced from pulpwood cut on private lands. The actuating policy of the Canadian provinces was the development within their borders of the pulp and paper industry for which it was felt that Canada's great forest and waterpower resources gave her a natural advantage. Since these laws were provincial crown land regulations and not impositions of export duties, the Dominion government had no jurisdiction over their enactment or enforcement, and had on that account declined to include free pulp and paper in Schedule A, so long as the American rates remained conditional. In practice it became very difficult for the American customs authorities to ascertain whether any particular consignment of pulp or paper had been manufactured from crown land or private land pulpwood, and evasions were frequent. Moreover, the insistent demand of the powerful American Newspaper Publishers Association for unconditional free paper and the growing realization of the need for conservation of American forests, together with the failure of Section 2 to secure any relaxation in the provincial regulations, combined to procure in the Underwood tariff the unconditional free importation of wood pulp of all kinds and of ordinary printing paper, not exceeding in value  $2\frac{1}{2}$  cents per pound. In 1916, when the price of newsprint had so increased that

it no longer came in free under this valuation, 5 cents a pound was substituted for  $2\frac{1}{2}$  cents. In April, 1920, the President signed a bill raising the exemption limit to 8 cents for a period of two years.

Let us now examine the opposite tariff fence and observe what sections Canada may have lowered or removed during the period, after having declined to remodel the barrier according to the 1910 specifications. We shall find the structure substantially intact. There has been no general revision of the tariff in Canada since 1907, the Conservative party which took office after the reciprocity election being committed to the preservation of the existing tariff. During the greater part of the period, moreover, Canada was in a state of war, and her tariff amendments took the form principally of Orders-in-Council, dictated by the exigencies of war and war finance rather than by any considered trade policy. Under these conditions the tariff was actually raised for emergency purposes. The Customs War Revenue Act of 1915 levied an additional war tax of 5 per cent on "preferential" imports, and  $7\frac{1}{2}$  per cent on the intermediate and general schedules. This was even extended to many articles on the free list, but did not affect, generally, foodstuffs or agricultural machinery. The tax was removed by amendment of July, 1919, for all preferential imports; and for all others by an act of May 18, 1920. Within the limits of this general war revenue measure, however, reductions had been made from time to time on specific commodities, being in most cases concessions to the demands of the agricultural interests. The freelisting of wheat, wheat flour, and potatoes was, as we have noted, written into the tariff book in order to take advantage of the conditional exemption of those commodities in the Underwood act. Cream separators, corn, coke, barbed wire, shingles, and

certain grades of lumber were already on the Canadian free list, but with the exception of the first two they were all subject to the  $7\frac{1}{2}$  per cent war tax. The relaxations in the Canadian tariff, it will thus be seen, have been comparatively slight, being made chiefly either to take advantage of American concessions, or to meet the most insistent demands of farmers (agricultural machinery, cement) and publishers (typesetting machinery).

#### IV. THE TRADE BETWEEN CANADA AND THE UNITED STATES

The approximate similarity of the American tariff changes as contemplated by the reciprocity commissioners and as effected by the Democratic Congress of 1913 make the subsequent period an informing one in which to observe the volume of Canadian exports to the United States, as affected by the Underwood act.

##### CANADIAN EXPORTS TO UNITED STATES, 1910-19

(Millions of dollars)

1910 .....	95.1	1915 .....	159.6
1911 .....	100.8	1916 .....	204.0
1912 .....	108.8	1917 .....	321.0
1913 .....	120.6	1918 .....	434.0
1914 .....	160.7	1919 .....	460.0

It is of course assumable that with the greater relative growth of American industrial to rural population, and of manufactured to raw material exports, during the decade, there would have been an appreciable increase in imports from Canada irrespective of tariff changes. The period of course is not a normal one. A considerable amount of the materials imported from Canada were manufactured and reexported from the United States as war supplies to the Allies and, later, to the American Expeditionary Force. Allowance must also be

made for the rise in commodity prices during the decade, the average wholesale prices in 1918 being virtually double those of 1910. Even taking the exports of 1918 at half their registered value, so as to reduce them to the 1910 scale of prices, the former showed an increase of 131 per cent over the exports of the earlier year. The opening of the American market through the tariff changes proposed in the reciprocity agreement and approximately effected through the Underwood legislation was followed by an immediate and continuing rise in the volume of those products of the farm, forest, and fisheries in which Canada's natural advantages were greatest and the demand of the United States most pronounced. The Canadian producer and the nation at large undoubtedly benefited by this one-sided application of the reciprocity arrangement.

If Canadian exports to the United States rose as the American tariff barriers fell, the maintenance of the Canadian customs restrictions does not appear to have appreciably checked the rising volume of northbound American exports, as indicated by the following figures (taken from the *Canada Year Book*):

UNITED STATES EXPORTS TO CANADA, 1910-20

(In millions of dollars. Figures for fiscal years, ending March 31)

1901 . . . . .	217.5	1915 . . . . .	296.5
1911 . . . . .	274.8	1916 . . . . .	370.5
1912 . . . . .	330.4	1917 . . . . .	664.2
1913 . . . . .	435.7	1918 . . . . .	791.9
1914 . . . . .	396.5	1919 . . . . .	746.9
		1920 . . . . .	802.1

While a slump appears immediately following the outbreak of the war — due presumably to the sudden acceleration of American exportation to Europe — the volume mounted rapidly after the early part of 1915, despite the customs war tax of  $7\frac{1}{2}$  per cent imposed by Canada in that year, and the “quasi-protection” of the

discount, after 1917, of the Canadian dollar on the New York Exchange — ranging from 8 to 18 per cent. The figures for the last four years are, of course, swollen by the sharp rise in commodity prices. Even taking the 1918 exports at half their nominal valuation they still show a real increase of 84 per cent over the 1910 figures (compared with a rise of 131 per cent in Canadian exports over the same period).

Among the classes of commodities entering most largely into this border importation, manufactures alone in 1918 amounted to more than the entire American export trade with Canada at the outbreak of the war. A great increase in iron and steel products, in cotton manufactures, and, to a less extent, in woollens, is attributable in part to the limitation, amounting in some cases to elimination, during the war of accustomed sources of supply in Great Britain. An even greater increase in drugs, dyes, and chemicals is likewise intimately related to the cutting off of German exports. In spite of the British Preference and the continuance of depreciation in German currency it is not likely that American manufacturers will be forced to relinquish the full measure of their wartime gains in these commodities in the Canadian market. The imports of automobiles and automobile parts alone increased over tenfold, in spite of a protective duty of 35 per cent, plus the  $7\frac{1}{2}$  per cent war surtax. A considerable portion of the machinery imports was consigned to new or expanding Canadian branches of American mills and factories.

Of raw materials, coal, cotton, corn, fruits, tobacco, iron ore, and hardwood will continue to be substantial and stable imports, being articles which Canada either does not produce at all, or produces in inadequate quantities. The very considerable imports of fish, meats, vegetables, canned goods, and lumber, in which Canada

has if anything a greater natural advantage, are doubtless attributable to factors of border convenience, marketing, transportation, and special grades, varieties or brands. The large proportion of consumers' goods entering into the importation of the post-armistice years has been due in part at least to the sharp increase of purchasing power during the period, with the attendant extravagances in expenditure, which even the heavy Canadian luxury taxes were ineffective in restraining. The subsidence of the abnormal importation in this class of goods is already manifesting itself.

Making all reasonable allowance for inflation, war demands, and dislocation of European markets, the inevitable and permanent nature of the continental north and south trade is sufficiently manifest. If further evidence were needed it is to be found in the growth in the number of railway lines — trunk, spur, subsidiary or leased — crossing the international boundary, from six in 1895 to sixty-four at the present time. In the year 1920 Canada was the second best customer of the United States in her foreign trade.

## V. PRESENT STATUS OF RECIPROCITY IN CANADA

It is now a decade since the Liberal party and the reciprocity agreement were rejected by the Canadian electorate. The subsequent passing of the Underwood legislation and the absorption of the war and war industry have kept the issue in abeyance during the greater part of the period. Canadian producers enjoyed an all absorbing market at home, on the continent and overseas, and the occasional tariff expedients of the government met some of the most insistent of the agrarian demands. With the advent of the reconstruction period, however, there has come a renewal of pressure, not only



for the adoption of the reciprocity agreement itself, but for a general tariff revision.

In August, 1919, the Liberal Convention at Ottawa, at which Mr. Mackenzie King was chosen as the successor of Sir Wilfrid Laurier, adopted a resolution reaffirming their faith in the principle of reciprocity. Their tariff policy was expressed in the following resolution:

That the best interests of Canada demand that substantial reductions of the burden of customs taxation be made with a view to the accomplishing of two purposes of the highest importance:

*First.* — Diminishing the very high cost of living which presses so severely on the masses of the people.

*Second.* — Reducing the cost of the instruments of production in the industries based on the national resources of the Dominion . . .

That, to these ends, wheat, wheat flour, and all products of wheat; the principal articles of food; farm implements and machinery; farm tractors, mining, flour and saw mill machinery and repair parts thereof; rough and dressed lumber; gasoline; illuminating, lubricating and fuel oils; nets, net twines and fishermen's equipments; cements and fertilisers; should be free from customs duties, as well as the raw material entering into the same.

That a revision downward of the tariff should be made whereby substantial reductions should be effected in the duties on wearing apparel and footwear, and on other articles of general consumption (other than luxuries), as well as on the raw material entering into the manufacture of the same.

That the British preference be increased to 50 per cent of the general tariff.

The period following the armistice has been marked in Canada by the rise in every province, with the exception of Quebec, of strong agrarian political organizations, which have shown notable strength in provincial elections and Dominion by-elections. In October, 1919, the province of Ontario, which had overwhelmed the reciprocity proponents in 1911 and in which more than half of the manufacturing industry is concentrated, repudiated its Conservative government, and returned to power the new agrarian party, the United Farmers of Ontario. The various provincial farmers' parties, which

have recently been merged and broadened into the Progressive party, under the leadership of Mr. T. A. Crezar, President of the powerful United Grain Growers (of the western provinces) own allegiance to the Canadian Council of Agriculture. This body has formulated its tariff policy in convention in the following unequivocal terms:

1. An immediate and substantial all-around reduction of the customs tariff.

2. Reduction of duty on goods imported from Great Britain to one-half the rates under the general tariff, and that further gradual uniform reductions be made in the remaining tariff on British imports that will insure complete free trade between Great Britain and Canada in five years.

3. That the Reciprocity agreement of 1911 which still remains on the United States statute book, be accepted by the Parliament of Canada, and that any further reductions of the tariff of the United States be met by similar reduction of the Canadian tariff toward the United States.

4. That all foodstuffs not included in the Reciprocity agreement be placed on the free list.

5. That all agricultural implements, farm and household machinery, vehicles, fertilisers, coal, cement, illuminating, fuel and lubricating oils be placed on the free list.

6. That every claim for tariff protection by any industry be publicly heard before a special committee of Parliament.

It is apparent that the tariff policies of the two parties are substantially the same. The Liberal party in opposition declares for a much more thoro-going tariff revision than it dared to propose in 1911, while the farmers have decided to trust to neither party, but to meet manufacturers' by agrarian organization. With both parties, reciprocity with the United States (on the 1911 basis) is regarded as merely an installment of a general tariff reduction. The proposal for an enlarged measure of imperial preference is actuated by sentimental as well as by free trade motives, while the general demand for reduction of duties upon the necessities of living is the familiar

opposition pledge to the wage-earner, which in practice usually proves susceptible of very wide compromise. It is upon the extension of the reciprocity agreement to include all foodstuffs, and all materials and implements entering into production, that both parties are most insistent and most united.

In 1919 and again in 1920 Liberal resolutions have been introduced into the House of Commons calling for immediate ratification of the reciprocity agreement, being defeated in both cases on straight party votes. During the past summer a Tariff Commission of Canadian Cabinet ministers conducted hearings from coast to coast, listening for the most part to urgent representations for unrelaxed, if not enhanced protection. Inasmuch, however, as it is practically certain that a general election will follow the present session, based largely upon the tariff issue, it may be assumed that no radical revision will be undertaken until that popular verdict has been registered.

## VI. CONCLUSIONS

It is evident from the foregoing survey that for Canada the question of reciprocity with the United States is the problem of recognizing the essential economic interdependence of the two halves of the North American continent, without prejudicing her national solidarity and self-reliance. As a policy of extreme protection aiming at establishing Canadian economic independence would be both futile and self-injurious, so a policy of indiscriminate free trade would tend to make Canada merely an extensive margin of cultivation for the older developed republic to the south. Canada is a nation as well as an area. At the same time it is separated from its neighbor by a geodetic rather than a geographical boundary that forms the longest continuous land fron-

tier to be found between any two countries in the world. The trade policy, then, which is to her greatest advantage must needs be one which, while not unmindful of the sentiment of history, does not refuse to recognize the solid realism of geography.

We have seen that altho the reciprocity agreement of 1910 failed to obtain mutual endorsement, the tariff relations between the two countries have been considerably liberalized during the period since 1913, chiefly on the side of the United States. We have noted the responsive rise in the volume of Canadian exports to the United States, where American duties were lowered or removed. This 353 per cent increase between 1910 and 1918 represented a very appreciable development of Canada's agricultural, forest and mining resources, and a sustained movement of American settlement and investment in the great spaces traversed by the new transcontinentals, during war years when British and European immigration and capital were shut off. While the extraordinary overseas war demand for Canadian produce has become reduced for the present to less than even normal proportions, the vast, adjacent and semi-open market of the United States has offered a constant and expanding outlet, for those products which the comparative virginity of Canadian natural resources enable her to extract and supply to the greatest advantage. The inflation of wartime prices makes it difficult to estimate the increase in market-price which Canadian producers would have derived from the freer admission to the American market in itself, but the gain was undoubtedly present.

Such limited tariff modifications as Canada herself made during the period have scarcely justified in their consequences the fears of the reciprocity opponents. The free-listing in 1917-18 of wheat, wheat flour, and

potatoes in order to take advantage of the conditional terms of the Underwood tariff in regard to these commodities has been followed by a small increase in the importation of these articles which has presumably served border needs (where transportation or readier marketing have been determining factors), and of which the Canadian farmer himself is likely to be the last to complain. The free admission of cattle has been of advantage both to stock breeders and to Canadian packers. The slight reduction in duties on agricultural machinery has been beneficial to Canadian farmers as far as it has gone, without being prejudicial to domestic implement manufacturers.

In view of this experience of freer trade relations between Canada and the United States during the past few years, and of the general economic interdependence of the two countries, the further reduction and even removal of artificial tariff barriers would appear to be mutually desirable. Canada might expect to develop her natural resources, fill up her areas, and eventually engender thriving industries in the same way that the middle western and northwestern states progressed without protecting themselves against the older and industrialized eastern states which served both as markets and as sources of capital and population. Such is the view of the agrarian and the extreme free-trader in Canada. The protectionist points to the fact of separate nationality, to the need for revenue in face of a huge national war debt, to the depreciation of Canadian exchange in the United States, and to the capital invested and the population employed in industries established under protection. These are realities which any revision of tariff policy must take seriously into account.

There is a certain irony in the circumstance that at a time when the reciprocity party is within calculable

range of being returned to power in Canada, the party in the United States which initiated the reciprocity negotiations a decade ago has imposed, in the Emergency tariff act of this spring, duties on agricultural produce at an even higher level than that of the Aldrich act. Duties of similar character may be expected in the permanent tariff act. Even had the reciprocity pact of 1911 been in effect, it is extremely likely that the American agricultural interests would have demanded its repeal at this time. It is probable, however, that the international and wider commercial considerations involved in such an abrogation would have lessened the likelihood of its repeal, even in the present Congress. While the Emergency Tariff Act of May is by its terms a temporary measure, and while the interests of the American consumer may effect its revision sooner or later, the enactment of such legislation, followed as it well may be by the repeal of the Reciprocity Act itself lays open the whole question of American-Canadian trade relations to fresh negotiation.

Tariff and economic conditions, as we have seen, have been considerably altered as between the two countries since 1911, and details of the old agreement would need to be modified in several respects in order to arrive at the most advantageous and equitable arrangement between the two countries at this time. If, as appears extremely probable, a Liberal-Progressive majority is returned at the next general election in Canada — by which time the special occasion for the present American emergency tariff legislation will doubtless have passed, and normal economic conditions may be expected to have returned — it would seem appropriate that the respective governments, while engaged simultaneously in autonomous tariff revision, should confer anew on their reciprocal trade relations, guided by the lessons of the former ne-

gotiations, by the trade experience of the past decade, and by the present economic status of the two countries. The initiative in such a conference might well be undertaken by the Canadian Minister at Washington, whose appointment is now pending, and whose presence, it is to be hoped, will mark a new and more direct understanding between the two peoples of common origin who divide the North American continent between them. It is not unreasonable to expect that their commercial relations may be as rationally, as equitably, and as happily adjusted as their former territorial issues.

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